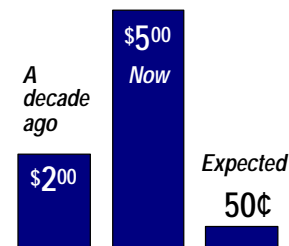




Streamlining Health Care System: HIPAA Partners

April 17, 2001

Eligibility Transaction Costs



Realizing Administrative Savings

Changing the nation's transaction codes has a bigger payoff than mere simplicity. Making systems compliant will also save health care dollars that now get burned up by administration. For example, HIPAA researchers estimate the administrative cost of an eligibility transaction is currently \$5, up from \$2 a decade ago. With coding changes to eliminate the need for translators and clearinghouses, the average should drop by 90 percent, to less than 50 cents, within a few years.

SOURCE: New England Healthcare EDI Network

A Website to Share

HIPAA partners have established an Intranet website that can be accessed by state agencies seeking background material on the law and its rules, resources available, handy links, and the issue resolution process:
<http://maaintra.dshs.wa.gov/dshshipaa>
An Internet site to be shared with the private sector is in development.

PROGRAM CONTACTS

Jim Stevenson, DSHS
360.902.7604
Stevejh2@dshs.wa.gov

Vicki Hohner, DOH
360.236.4211
Vicki.Hohner@doh.wa.gov

Loris Gies, L&I
360.902.4475
Gies235@LNI.wa.gov

Melodie Bankers, HCA
360.932.2728
mban107@hca.wa.gov

Jilene Siegel, DRS
360.664.7302
jilenes@drs.wa.gov

Ed Strozzyk, OSPI
360.753.1701
estrozzyk@ospi.wednet.edu

Jutta Duncan, DOC
360.664.0939
jduncan@doc1.wa.gov

S EVEN WASHINGTON STATE agencies have begun preparations necessary under the federal Health Insurance Portability and Accountability Act (HIPAA). The law mandates far-reaching changes in how health care information is administered nationally. Leading the effort for Washington State are the Department of Social and Health Services, the Department of Health, the Department of Labor & Industries, and the Health Care Authority. Joining them are the Department of Retirement Systems, the Office of Superintendent of Public Instruction, and the Department of Corrections.

HIPAA: From Portability to Streamlining the Information Stream

Passed in 1996, HIPAA's immediate effect was to let Americans transfer their coverage from job to job and from place to place without fear of losing their health benefits.

Its longer-range effect focuses on health care information, eliminating the some 400 formatting and coding systems and revising storage and handling of the information.

Changes will mean significant savings for doctors who now pay overhead costs as high as 50 percent. Subsequent rules will address privacy, security, and identifiers for plans, providers, and others.



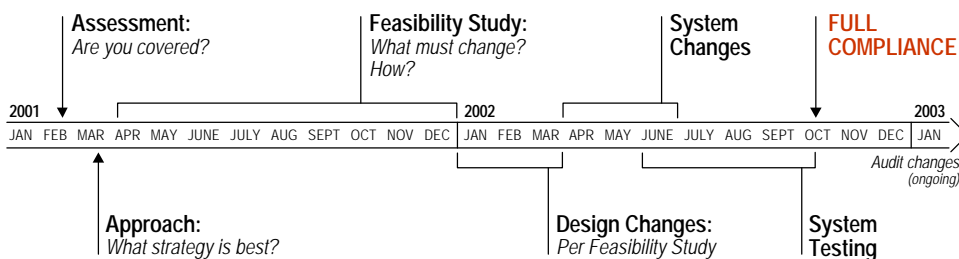
HIPAA will result in administrative savings for doctors and providers.

HIPAA Timeline and Deadlines

Covered entities must achieve compliance within 24 months of the effective date of each final rule. Currently, that means state agencies, health plans and providers must meet the requirements of the Transaction rule by October 2002 and the Privacy rule by April 2003.

All seven of the HIPAA partners have named project officers and are in some stage of assessment on the Transaction and Privacy rules. We are rapidly entering a four- or five-month phase in which significant changes must be designed. Implementation and full-scale testing of Transaction changes must begin by June of 2002 in order to meet the October 2002 deadline.

TRANSACTION DEVELOPMENT TIMELINE



Protecting Privacy

Washington law protects the privacy and confidentiality of information related to an individual's health, treatment, or health care payment. These laws are already similar to many of the HIPAA requirements and:

- Give individuals the right to receive written notice of information practices.
- Give individuals the right to access and amend their health information.
- Require health plans and providers to provide an audit trail of disclosures.
- Require health plans and providers to obtain written authorization for use of patient records for purposes other than treatment, payment or health care operations.
- Require organizations to limit any information disclosed to the minimum amount necessary.

In addition, Governor Gary Locke issued an executive order in 2000 strengthening agency's privacy standards in many areas, and the Department of Information Services has issued security standards for state agencies.

HIPAA Rules

The HIPAA rules will cover all health transactions, privacy, security, and national identifiers. The privacy and transaction rules have already been issued, and the security rule is expected shortly.

Privacy: Except for uses authorized by law, the HIPAA privacy rule will prevent any release of patient information beyond that required for patient care and without the patient's knowledge and consent.

Security: HIPAA envisions all health care entities will have verifiable security. Many analysts predict that these security changes – yet to be formalized as a federal rule – will require substantial investment.

National Identifiers: HIPAA rules will require that providers, health plans and employers have national identifiers for use with health care transactions. These identifiers will facilitate health care business, access monitoring, quality assurance and payment integrity efforts.

Persons with disabilities
or special needs may contact
the HIPAA Project
at 360.902.7604
and request a hard copy.
This paper also is available
electronically.

AGENCY PRINTED VERSIONS OF THIS
DOCUMENT ARE ON RECYCLED PAPER

Assessing the Impact on Current Health Care Systems

The HIPAA Partnership

HIPAA applies to all health care entities that create, store, or transmit health care data electronically. This includes government and private health plans, including Medicaid and other assistance programs, all providers (including many medical suppliers and caregivers who may not have defined themselves as “providers” in the past), employee benefit plans, tribal health care institutions, nursing homes, and supplemental plans for Medicare. DSHS is an obvious example of a state health plan that must comply. Other affected agencies range from OSPI, which relies on the Medicaid system to handle billings for school nurse health care programs, to DRS, where retiree records may be affected by privacy standards. In addition, many parts of the health care system will comply voluntarily. For example, worker compensation programs are not defined as covered entities. Even so, L&I will have to deal with a compliant provider community and may not be able to remain a noncompliant island in a sea of HIPAA.

Here is a quick summary of where the seven HIPAA partners stand on compliance in the spring of 2001:

DSHS: Moving into feasibility studies, then gap analysis.

DOH: Heavy privacy impact expected for state's major health care information repository.

L&I: Assessment phase completed, gap analysis being conducted.

HCA: HIPAA requires compliance in Uniform Medical Plan, Basic Health.

DRS: Retirees' health records will fall under Privacy and Security rules.

DOC: Prison contracts with health care providers must be compliant.

OSPI: School nurses' health care/prevention programs tied to Medicaid.

HIPAA Focuses First on Assessment, Then on Designing a Plan

Job One for HIPAA partners will be to assess the extent of change required under the law as it applies specifically to each program (down to the level of individual documents). Four steps are identified for assessment:

1. Note programs and feeder systems that process or store health information.
2. Identify and contact business partners, clients, etc., with whom health care data is exchanged.
3. Analyze HIPAA's impact in order to make educated and strategic decisions about systems that require changes and the impact of changes.
4. Develop a comprehensive action plan, including:
 - Developing new policies, processes and procedures.
 - Building “chain of trust” agreements with business partners.
 - Redesigning a technical information infrastructure.
 - Purchasing or adapting information systems.
 - Employee training and enforcement.

HIPAA and the Budget

Fifty percent federal match is available to fund some HIPAA requirements and a 90/10 match is available for Medicaid Management Information Systems-related activities within DSHS (in its capacity as the “single state Medicaid agency”). At this time, it is uncertain whether funds to secure the federal match will be made available this legislative session. HIPAA partners are now conducting additional cost analyses to determine full agency costs for compliance.